

RED
ELÉCTRICA
CORPORACIÓN

**PRESENTATION OF RESULTS FOR FINANCIAL
YEAR 2019**

**AND PROGRESS ON THE 2018-2022
STRATEGIC PLAN**

February 2020

Contents

- 1. Results for Financial Year 2019 and Compliance with the 2014-2019 Plan.**
2. Regulatory Aspects.
3. Progress on the 2018-2022 Strategic Plan.
4. Commitment to the Energy Transition. 2030 Horizon.



Significant Events for 2019

Results

- **Net Profit** was in the amount of €718m, 1.9% higher than the profit for financial year 2018, in line with the forecast.
- **Dividend proposed to the General Shareholders Meeting** in the amount of €1.05 per share. Complying with our commitment to the market in the 2014-2019 Plan.
- **The Group invested** €1,870.4m

Management and Operation of electrical infrastructure - National:

- **Independent Regulator:** Spanish Royal Decree-Law 1/2019 of 11 January, on urgent measures to adapt the authorities of the National Markets and Competition Commission (CNMC in Spanish) to the requirements derived from EU law.
- **Predictability of cash flows for next regulatory period:** Approval of Circular 5/2019, which establishes the compensation methodology for electricity transmission for the 2020-2025 period, and Circular 4/2019, which establishes the compensation methodology for the electrical system's operator.
- **Roadmap for the Energy Transition:** Submittal to the European Commission of a draft version of the 2021-2030 Integrated National Energy and Climate Plan (NECP). Spain's Ministry for the Ecological Transition and Demographic Challenge recently published a new draft version, which is now in the public consultation phase.
- **Investments:** Launching last 1 March of the new 2021-2026 Infrastructure Planning for the electricity transmission grid.
- **Progress on integration of the European electricity market:** A multilateral platform at the European level (8 operators) to manage the balance between generation and demand. Progress on environmental studies and tender specifications for the interconnection with France across the Bay of Biscay.

Significant Events for 2019

Management and Operation of electrical infrastructure - National

- **Application procedure for access and connection to the Transmission Grid:** 102 GW of wind and photovoltaic solar generation with access permit.
 - **Integration of renewables:** Entry into operation of 6,456 new 'green' MW, 12.9% of installed power renewable.
 - **Reduction of CO₂ emissions:** Second consecutive year with 60% of generation being CO₂-emission free.
-

Management and Operation of electrical infrastructure - International

- **Entry into Brazil:** Acquisition of 50% of Argo Energía, holder of 3 electricity transmission concessions in Brazil, for €382m.
 - **Consolidation of activities in Chile and Peru:** Acquisition of CCNCM in northern Peru, valued at \$205m, and incorporation of REDELNOR for purposes of that acquisition.
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Management and Operation of telecommunications infrastructure

- **Positioning as a global telecommunications operator:** Acquisition of 89.68% of the share capital of Hispasat for €933m.
- **Fibre optics business:** 5th consecutive year of growth, increased customer portfolio.

Other Activities

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- **Creation of RETIT:** Contribution to development of the energy transition and telecommunications by conceptualisation, incubation, and acceleration of technology-based initiatives.

Significant Events for 2019

ESG

- Appointment of Beatriz Corredor Sierra as **Non-Executive Chair** of the Board of Directors and Chairwoman of the company, following the resignation of Jordi Sevilla Segura from his position.
- **Appointment of** Roberto Garcia Merino as **CEO of the Group**, in order to strengthen our response to the challenges of the energy transition and promote the telecommunications area and the Group's international expansion.
- **Changes to the Board of Hispasat:** Reduction of the number of Directors (now 13 versus 23 previously) and appointment of Miguel Ángel Panduro as the new CEO.
- Red Eléctrica has produced **its green financing framework**, through which it intends to issue 'green' financial instruments to finance and/or refinance projects that promote environmental progress.
- **Issuance of a** bond on the euromarket for an amount of €700m, in order to finance and/or refinance Eligible Projects within the Green Financing Framework.
- The company has **adapted its risk management model to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).**

Results for FY2019

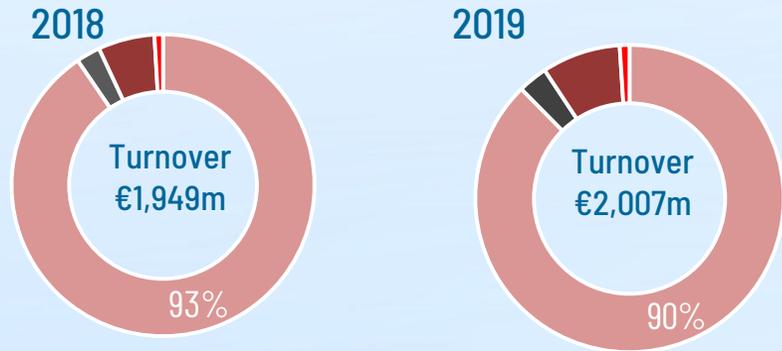
Main Financial Figures vs 2018

| | | |
|---|--|---|
| <p>€2,007.2m</p> <p>Revenues</p> <p>+3.0%</p> | <p>€1,582.4m</p> <p>EBITDA</p> <p>+2.8%</p> | <p>€718.0m</p> <p>Net Profit</p> <p>+1.9%</p> |
| <p>€6,025.6m</p> <p>Net Financial Debt</p> <p>+28.7%</p> | <p>€1,870.4m</p> <p>Total Investment</p> <p>+242.2%</p> | <p>€396.4m</p> <p>Investment Trans. Grid in Spain</p> <p>+4.8%</p> |
| <p>2.29%</p> <p>Cost of Debt</p> <p>2.42% in FY2018</p> | <p>3.8x</p> <p>ND/EBITDA</p> <p>3.0x in FY2018</p> | <p>20,8%</p> <p>FFO/Debt</p> <p>26.0% in FY2018</p> |

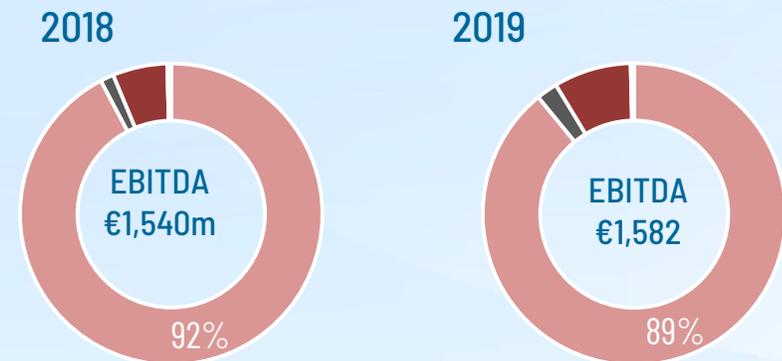
Profit for the financial year increased by 1.9%

Results for FY2019. Breakdown by Type of Business

Turnover



EBITDA



■ Management & Operational of electrical infrastructure, National
■ Management & Operational of electrical infrastructure, International
■ Telecommunications (fibre optics and satellites)
■ Other business, Corporation and Adjustments

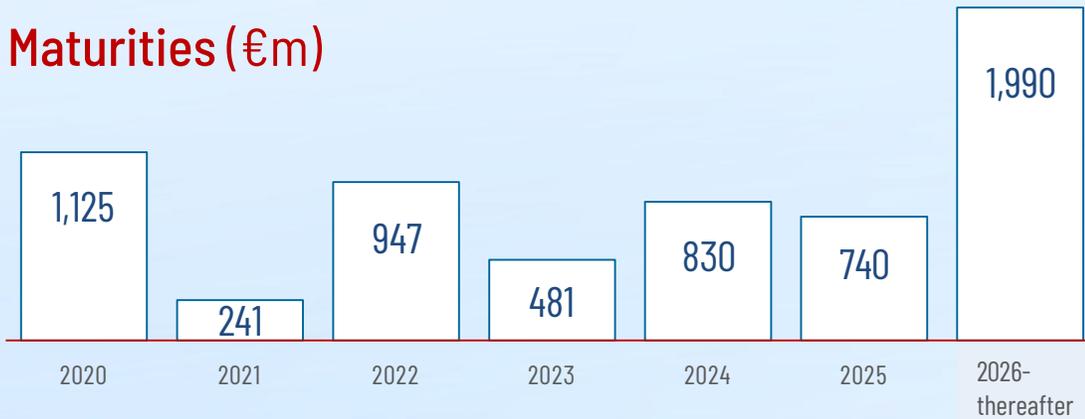
- Electrical Infrastructure Business represented 91% of EBITDA during 2019:
 - 89% National and 2% International.
- 9% Telecommunications Infrastructure Business.
- The segment for Management and Operation of electrical infrastructure, International includes the activities currently carried out in Peru and Chile.
- Telecommunications includes leasing of the dark fibre optic grid trunk line and operation of satellite infrastructure in Spain, Portugal, and Latin America.

Diversification of the results is in line with the Strategic Plan

Results for FY2019 – Corporate Debt

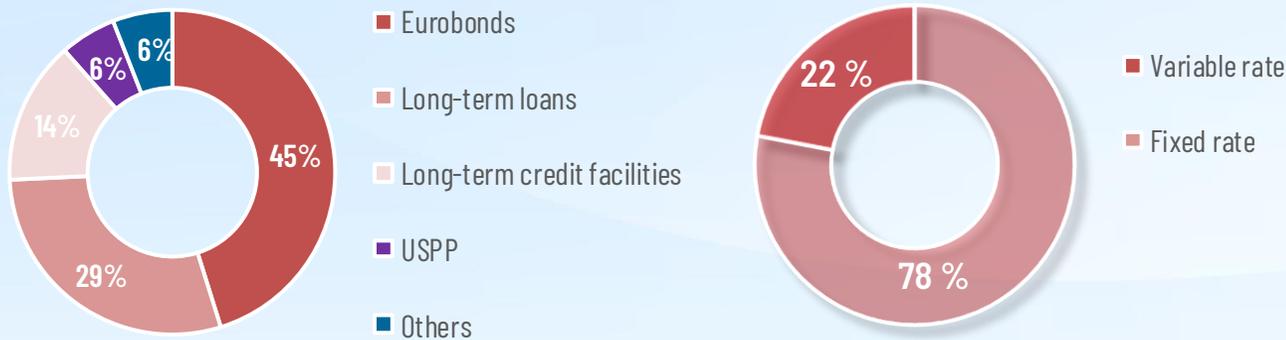
Balance Sheet Strength

Maturities (€m)



Debt Structure

Gross debt: €6,354m as at 31/12/2019



- Average debt life: 5.2 years.
- Liquidity sources: €2,096.7mn.
- Rating: 'A-' Standard & Poor's and 'A-' Fitch, outlook stable.
- REE's financing is sustainable. €800m syndicated loan and €375m in bilateral credit facilities linked to ESG criteria.
- First multi-currency syndicated loan, €150m based on blockchain.
- To finance acquisition of Hispasat, REC has signed a credit facility agreement for €500m at 5+1+1 years.
- Issuance of a bond on the euromarket for an amount of €700m, to finance and/or refinance Eligible Projects within the Green Financing Framework.

Debt diversified by markets and financial instruments.

Proactive management of maturities and market risks.

Compliance with the 2014-2019 Strategic Plan

Commitments to the market

| | Market commitments | Compliance with 2014-2019 Plan |
|---------------------------------------|--------------------|--------------------------------|
| Investments | > €4.500mn | 4,861€ ✓ |
| Improved EBITDA margin in 2019 | ≥ 200 bp | 479 bp ✓ |
| Avg. Net Debt/EBITDA | 3.5x | 3.4x ✓ |
| Δ EPS (CAGR 2019/13) | 5 - 6% | 5.2% ✓ |
| Δ DPS 7% (CAGR since 2014) | 7.0% | 7.0% ✓ |

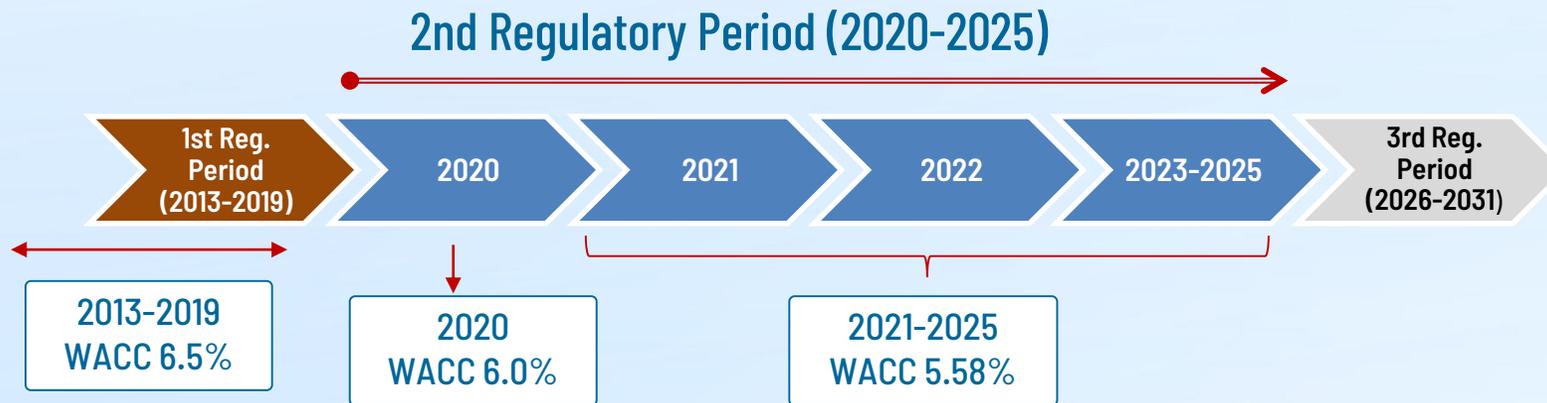
Successful achievement of all the objectives of the Plan 2014-2019

Contents

1. Results for Financial Year 2019 and Compliance with the 2014-2019 Plan.
 - 2. Regulatory Aspects.**
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-

2020-2025 Regulatory Period

Circular 5/2019 Compensation methodology for electricity transmission



Weighted average cost of capital (WACC) model established for calculating the compensation rate for regulated activities in the energy sector.

Extension of useful life:

- 30% added to annual maintenance amount during first 5 years. Incentive increased each year by 1%, 2%, or 3% as applicable, up to a permissible maximum of 100%.
- Plans for renewal and improvement of facilities that have finished their useful life, with a compensation mechanism already established for them.

Incentives for availability and efficiency.

Adjustment to compensation for O&M.

Regulatory stability. Methodology provides continuity as applied during the first regulatory period.

2020-2025 Regulatory Period

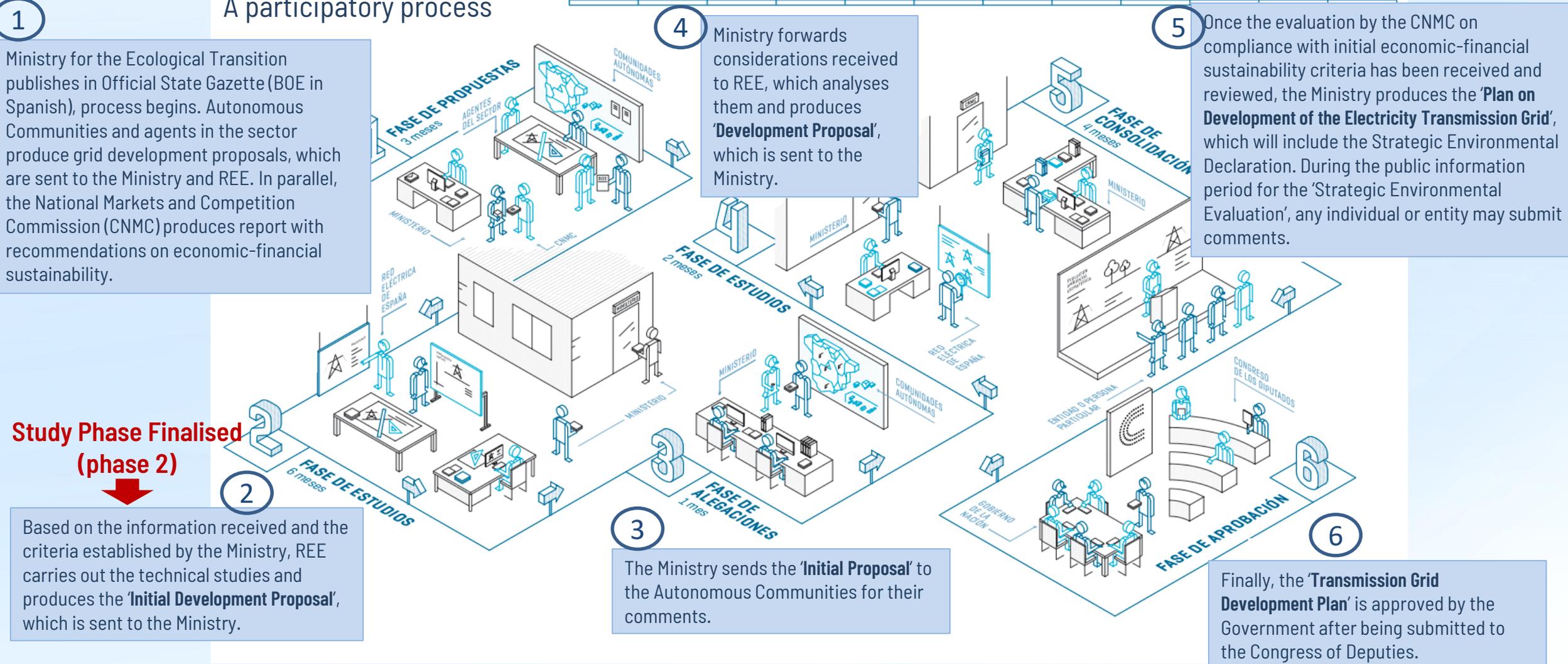
Circular 4/2019 Compensation methodology for the electrical system's operator

- The first time a methodology is being established for compensation of the electrical system's operator.
- Incorporates a system for recognising costs plus an additional margin, compensation for investments based on one element for amortisation and another for financial compensation (5.58%), as well as an additional compensation element for incentives.
- The regulatory parameters are established for 3-year periods, with the first period being 2020-2022.
- Application of the new compensation model to the system operation activities represents €74.7m in revenues during the first regulatory period.

A clear and transparent compensation methodology is being established for the first time.

2021-2026 Energy Planning

A participatory process



Contents

1. Results for Financial Year 2019 and Compliance with the 2014-2019 Plan.
 2. Regulatory Aspects.
 - 3. Progress on the 2018-2022 Strategic Plan.**
 4. Commitment to the Energy Transition. 2030 Horizon.
-

Progress on the 2018-2022 Strategic Plan

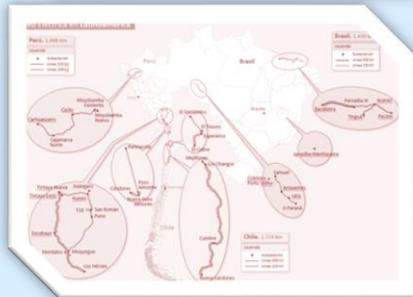
Significant progress on Strategic Investments, 2018-2019 period



Trans. Grid Investments in Spain €774.6m through 2019.

Mallorca-Menorca Interconnection: laying submarine electrical link

Western interconnection with France: marine studies to determine the best location for the submarine cable section



Brazil. Acquisition of 50% of Argo Energía, €382m: Three 30-year electrical concessions. 1,430 km of high-voltage (500 kV and 230 kV) circuit and 11 substations. 30 year concession.

Peru investment, €219m:

- Entry into service of **TES 2**.
- Construction completed for **TES 3**, with entry into service in 2020.
- Environmental Impact Study for **TES 4**.
- Acquisition of 100% OF **CCNCM****

Chile investment, €145m:

- **Redenor:** good construction pace for the line and substations.
- **Redenor 2:** Acquisition of 100% Centinela Transmisión S.A., 3 lines, 265 km.



Acquisition of Hispasat, €933m #1 satellite infrastructure operator for Spain and Portugal, #4 operator in Latin America, and #9 worldwide.

Start-up of fabrication for **new Amazonas Nexus satellite**, with HTS*** technology. It will have coverage over North and South America, the North Atlantic corridor, and Greenland.

Total investment target for 2018-2022: €6.000bn. 46% progress in 2018-2019*

TES: Transmisora Eléctrica del Sur

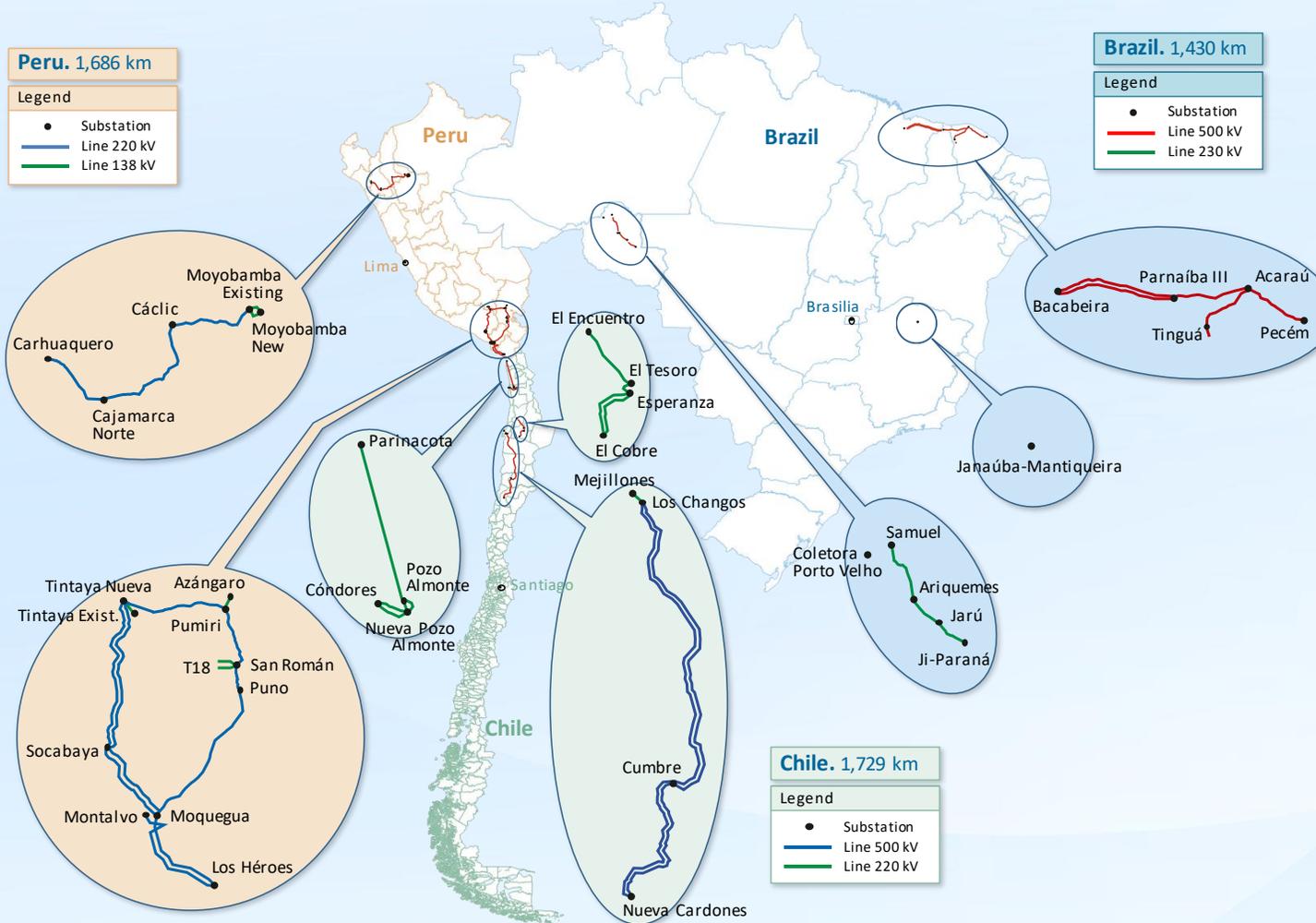
*Includes acquisition of Argo Energía.

**CCNCM: line Carhuaquero - Cajamarca Norte - Cádiz - Moyobamba. 372 km circuit of 220 kV and 138 kV and 4 substations.

***HTS: High Throughput Satellite.

Progress on the 2018-2022 Strategic Plan

Development of an investment portfolio in countries with stable regulation and a favourable economy



PERU: 30 years concessions

1,558Km in operation
128 Km under construction
2020 Revenues: USD 53 m

CHILE: ownership of assets

1,471 Km in operation
258 Km under construction
2020 Revenues: USD 86 (*)

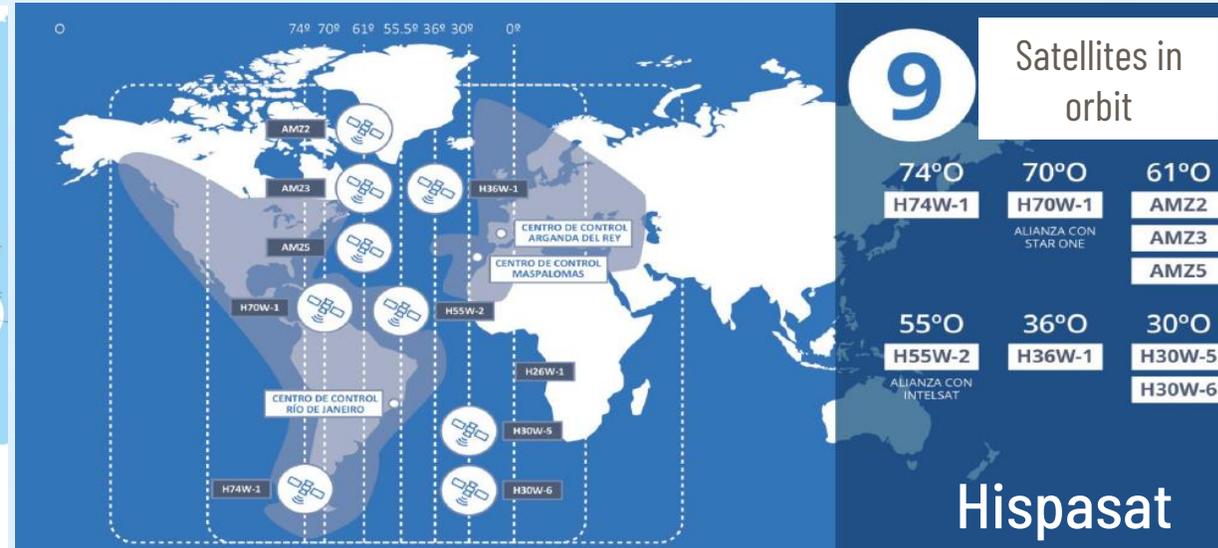
BRAZIL: 30 years concessions

1,110 Km in operation
320 Km under construction

(*) Includes all revenues coming from TEN and ARGO, both companies consolidated using the equity method.

Progress 2018-2022 Strategic Plan

Telecommunications



Fibre + satellites 2019

Turnover:

306.8 M€

EBITDA: 234.7 M€

Note: pro-forma data, including all of 2019 Hispasat.

- Reintel is positioned as the largest dark-fibre operator in Spain and guarantees transparent and neutral access.
- Generation of organic growth in the fibre business through increased penetration into existing customers and the development of new market segments.
- Unique positioning to provide fibre-optic infrastructure, towers and nodes to 5G technology.
- Hispasat: The 9th largest operator in the world, and the 4th largest satellite operator by revenue in Latin America with 30 years of experience
- Fleet of 9 satellites, which will be joined in 2022 by the Amazonas-Nexus with HTS technology.
- Leader in the distribution of content and connectivity services in the Spanish and Portuguese markets.
- Coverage of new demand for mobility and connectivity

Progress on the 2018-2022 Strategic Plan

Average EBITDA margin $> 76\%$ during the period

- Efficiency and attraction of new capacities.
- Progressive reduction of external operating expenses in order to achieve target EBITDA margins.
- Adaptation of amortisation policies to the new compensation framework.

**78.9% EBITDA margin
for 2018-2019**

Financial discipline: Average Net Debt/EBITDA $\sim 4x$



**3.4x Net Debt/EBITDA
for 2018-2019**

Progress on the 2018-2022 Strategic Plan

Our commitment: Sustainability of Net Profit and Dividends

- PAT > 1% CAGR 2018-2022.*
- Dividend Policy:
 - 2018: €0.89 per share.
 - 2019: €1.05 per share.
 - 2020-2022: at least €1 per share



Commitment to shareholder returns. Dividend yield above 5% during the 2019 year.

* Base year 2017

Contents

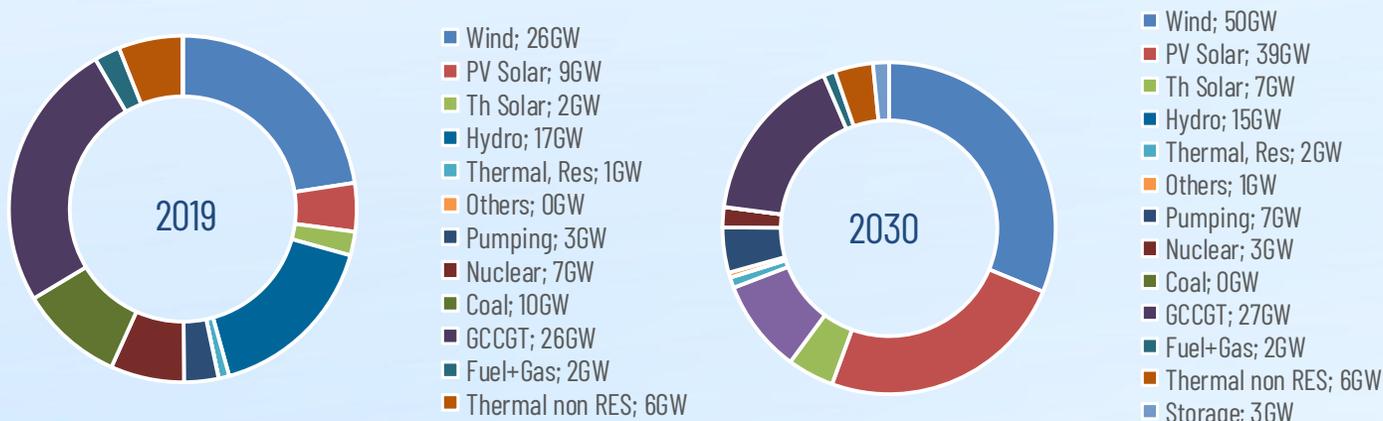
1. Results for Financial Year 2019 and Compliance with the 2014-2019 Plan.
2. Regulatory Aspects.
3. Progress on the 2018-2022 Strategic Plan.
- 4. Commitment to the Energy Transition. 2030 Horizon.**



Commitment to the Energy Transition. 2030 Horizon.

Integrated National Energy And Climate Plan

Evolution of Installed Power for electricity (GW)



- Reduction in thermal power: nuclear and elimination of coal
- Storage
- Renewable installation > 5 GW annual

Metrics for integration of renewables in the electricity sector

- Grid development: Development and strengthening of grids at pace with development of new renewable capacity.
- Grid access and connection: Optimisation of grid access capacity and transparency to provide indications for locating projects.
- National and international interconnections.
- Tools for flexibility: Storage.
- Promoting demand management and flexibility.

Commitment to the Energy Transition. 2030 Horizon.

Most significant projects for decarbonisation of the electricity sector

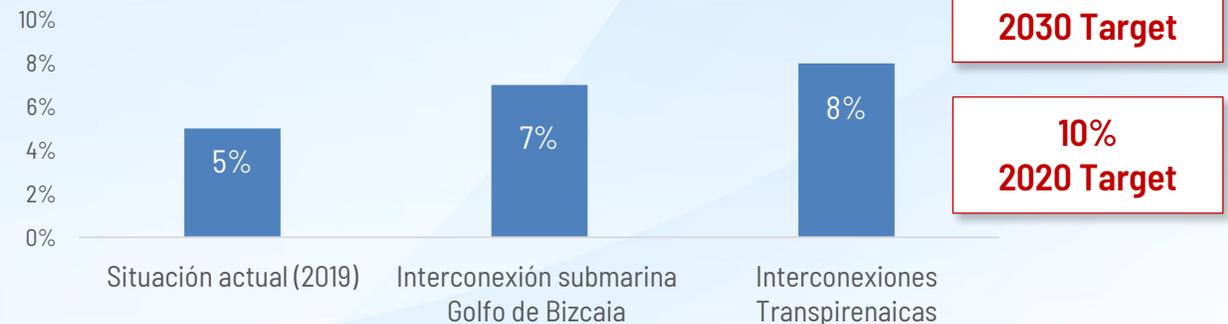
Integration of the European market

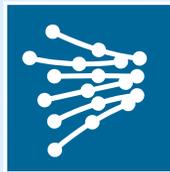
- **Submarine interconnection via the Bay of Biscay**
 - Interconnection 370 km in length.
 - Transmission capacity 2x 1000: Increase exchange capacity up to 5,000 MW.
- **Trans-Pyrenean Interconnections**
 - Projects of Common European Interest.
 - Projects included in the Comprehensive National Energy and Climate Plan (PNIEC)

Decarbonisation of systems on islands

- Second Peninsula-Balearic Islands link.
- Energy storage.
- Development of Transmission Grid in isolated systems.

Interconnection ratio in Spain





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